

Turkish, Israeli top soldiers meet for first time since rapprochement

Hurriyet Daily News, 18.01.2017



Turkey's chief of General Staff, Gen. Hulusi Akar, has met his Israeli counterpart for the first time since the two countries normalized their ties in the wake of the 2010 Mavi Marmara.

The meeting came on the sidelines of a NATO conference for defense heads between Jan. 17-18 in Brussels, the Turkish Armed Forces said. Akar also conducted separate meetings with the chiefs of general staff of the United States, Austria, Romania and Italy. Turkey and Israel will conduct political consultation meetings and draft a road map for a cooperation agenda that will also include military cooperation, a Turkish Foreign Ministry official told.

The two countries will also step up cooperation on security issues, the official said, adding that both countries needed to conduct consultations on regional security issues such as Syria. Turkey-Israel relations came to breaking point after Israeli marines stormed the Mavi Marmara flotilla, which was aiming to break a naval blockade on the Hamas-run Gaza Strip in May 2010, killing 10 Turkish activists on board.

Israel and Turkey had been traditional military partners for years, but the latter froze military cooperation after the Mavi Marmara crisis that led to a breakup in security cooperation as well. Ankara subsequently exerted efforts to isolate Israel from military cooperation with NATO, excluding the country from joint international military exercises such as the annual Anatolian Eagle exercises. Some defense industry projects were halted following the political crisis, but the Turkish defense industry suffered the most.

Turkey and Israel built up military-security relations in the early 1990s with the 1994 Defense Cooperation Agreement and 1996 Military Training Cooperation Agreement, and the two parties became close allies in security cooperation, intelligence sharing, military training and the defense industry.

Israel has provided significant technical and intelligence support to Turkey in its fight against the outlawed Kurdistan Workers' Party (PKK), while Ankara cooperated with Israel regarding intelligence on Iran. In the defense industry, the two carried out joint projects, such as the modernization of the M60 tank and F-4E plane. Israel also sold armed Heron drones to Turkey.

After six years of strained ties, Israel apologized for the Mavi Marmara raid, paying out \$20 million to the bereaved and injured as part of the rapprochement deal signed between the two countries on June 28, 2016. Last month, the countries also exchanged ambassadors for the first time, with Eitan Na'eh taking up his post in Ankara for Israel and Kemal Ökem doing likewise for Turkey in Tel Aviv.

Turkish retail sector facing ‘most catastrophic’ times amid lira plunge

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A leading retailer has said the sector has been experiencing its “most catastrophic” times due to heavy losses in the value of the Turkish Lira, which has hit purchasing power, and a number of new regulations, noting that revenue losses have hit up to 40 percent.

Tekin Acar, the chair of Tekin Acar Cosmetics and vice chair of the Category Merchandising Association, said there was a rising number of financially distressed retailers and various uncertainties will likely trigger an outflow of foreign investments.

“We have never faced such uncertain times. We don’t even know which new regulation will come out next. No investor will pour money into a country where anything can happen at any time. I am not just talking about the foreign exchange pressure or high rents,” Acar told reporters, as quoted by Reuters.

He noted that many local retailers have gone out of business while a number of foreign brands have quit the Turkish market. Acar also added that retailers with serious financial problems are unable to declare bankruptcy due to the ongoing state of emergency after the July 2016 coup attempt. According to Acar, the reasons behind the negative outlook in the sector are skyrocketing costs due to the sharp increase in foreign exchange rates and the euro-based mall rents, the decreasing trend in people’s purchasing power, the restriction in the number of installments in credit card payments, the additional customs duties on non-EU products, and the dramatic fall in tourist numbers.

“All these factors have pushed down revenue by 30 to 40 percent ... There are many retailers who can only just pay their rents ... Our business activity has plunged,” he said. “Consumers used to be able to buy cosmetics products through nine installments by credit card. They cannot do that anymore. There has been a decline of around 40 to 50 percent in our sector’s revenue. Douglas has exited the Turkish market, and I am closing down my own stores one by one, like many others,” Acar said.

The head of the Mall Investors Association (AYD), Hulusi Belgü, said the association has been in contact with several banks to ease forex pressure on retailers due to store rents in malls. “The support from the malls to retailers has increased by up to 16-18 percent in order to decrease the negative impact of the additional taxes, the minimum wage increases, and the forex hikes,” Belgü said in another press meeting on Jan. 20, as quoted by Reuters. He also noted that the return period for mall investments had extended from 15 to 16 years to 20 to 22 years. “This will likely push down the investor appetite in Turkey,” Belgü added. According to the association data, malls closed the year with 100 billion liras in revenue, adding that the 2017 expectation was 110 billion liras.

Turkish PM: Central Bank will not hesitate to do what is necessary

Anadolu Agency, 17.01.2017



The Central Bank will not hesitate to take whatever steps are necessary after sharp falls in the Turkish Lira, Prime Minister Binali Yıldırım told reporters after a meeting the day before with top economy officials and President Erdoğan.

Yıldırım said they held discussions on what needs to be done, while adding that the Central Bank is independent and it would be wrong to say what it should do, as reported by Reuters. Erdoğan held a meeting with top economy officials, including ministers, senior civil servants and Central Bank Gov. Murat Çetinkaya to discuss the recent volatility in the lira and other economic developments, according to sources.

“In the economy meeting yesterday, decisions have been reviewed. Issues on what to do were discussed. We will keep taking measures to meet the needs of the real sector. The Central Bank will continue to take whatever steps are necessary,” Yıldırım said.

The losses in the lira have exceeded 7 percent, despite a recent recovery since the beginning of 2017, it became the worst performing emerging currency in the new year. Asked whether the Central Bank should hike rates in its upcoming monetary policy meeting, Yıldırım displayed a neutral stance. “As the Central Bank is independent, it would be improper for me to make any announcement about such issues. The Central Bank will not hesitate about taking whatever measures are needed,” he said.

The lira rebounded to 3.75 against the U.S. dollar following a number of key measures taken by the Central Bank after it reached 3.94 last week. Yıldırım also called on businesspeople to create opportunities for employment and not to halt making investments as “the foundations of the economy are robust.”

Lavrov says US invited to Syria talks in Astana

Hurriyet Daily News, 19.01.2017



Russia has invited the U.S. to take part in the upcoming intra-Syrian talks in the Kazakh capital of Astana, Russian Foreign Minister Sergei Lavrov said.

“The U.S. have already been invited,” Lavrov told reporters in Moscow, according to state-run Anadolu Agency. Previously, Lavrov had said invitations for the talks in Astana had been sent, but the participant list would only become clear after official replies. Russian Deputy Foreign Minister Mikhail Bogdanov met John Tefft, U.S. ambassador to Russia to discuss the Syrian crisis as well as the Astana talks, the Foreign Ministry said.

Negotiations between the Syrian government and opposition negotiators to reach a political solution to the six-year war in Syria are due to begin on Jan. 23. Following last month’s Syria cease-fire deal, brokered by Turkey and Russia, the Astana meeting comes as part of ongoing efforts by the two countries to promote a political solution in war-torn Syria.

The United Nations’ peace envoy for Syria, Staffan de Mistura, will attend the Astana talks, the U.N. spokesman Stephane Dujarric said on Jan. 19. U.N. Secretary-General Antonio Guterres asked de Mistura to attend “in light of the complexity and importance of the issues likely to be raised in Astana, and of the senior level at which the conveners of the meeting will be represented,” said Dujarric.

Guterres “is looking forward to the Astana meeting being a positive step, ahead of the resumption of intra-Syria negotiations in Geneva,” he added. U.N.-brokered peace talks on Syria are due to resume in Geneva on Feb. 8. Meanwhile, key rebel group Ahrar al-Sham said on Jan. 18 that it would not take part in the peace talks next week.

Ahrar al-Sham, which counts thousands of fighters in central and northern Syria, said it would not attend the Astana talks due to “the lack of implementation of the cease-fire” in force since Dec. 30, 2016 and ongoing Russian air strikes over Syria.

The Islamist faction was among the signatories of the cease-fire deal that does not include ISIL and Fateh al-Sham, which changed its name from the al-Nusra Front after breaking ties with al-Qaeda. The truce, brokered by regime supporter Russia and rebel backer Turkey, has largely held across Syria although fighting has persisted in some areas.

Ahrar al-Sham cited “the regime’s offensive against our people in Wadi Barada”, an area 15 kilometers (10 miles) northwest of Damascus that is the capital’s main source of water, among its reasons for staying away from the talks.

The Syrian Observatory for Human Rights, a London-based war monitor, said Syrian government forces encircled the Wadi Barada region on Jan. 18. Forces loyal to Syrian President Bashar al-Assad cut the route between Wadi Barada and adjacent rebel-held territory in Qalamoun, according to the Observatory.

“After an advance from the north on Jan. 18, regime forces and allied fighters, primarily [Lebanese Shiite movement] Hezbollah, besieged Wadi Barada,” said Observatory head Rami Abdel Rahman.

He said around 20,000 people were in the area under siege. Speaking to Japanese media, al-Assad said peace talks in the Kazakh capital will focus on enforcing a cessation of hostilities to allow aid access across the country. “I believe that they will focus, in the beginning, and will prioritize, as we see it, reaching a ceasefire,” Assad told Japanese television channel TBS, according to excerpts released by his office, as reported by AFP. “This will be to protect people’s lives and allow humanitarian aid to reach various areas in Syria,” he said.

Iran ‘hostile’ to US involvement in Syria talks

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Iranian officials said Jan. 18 that they were strongly opposed to the United States joining Syrian peace talks in Kazakhstan next week, local media reported. “We are hostile to their presence and we have not invited them,” Iranian Foreign Minister Mohammad Javad Zarif said late Jan. 17, according to the Tasnim news agency, AFP reported.

That goes against the position of the other two organizers of the talks - Russia and Turkey - which have said the new U.S. administration of Donald Trump should be represented in Astana on Jan. 23. Ali Shamkhani confirmed on Jan. 18 that Iran had refused to invite the U.S.

“There is no reason for the United States to participate in the organizing of political initiatives in the Syrian crisis and it is out of the question that they should have a role in the Astana negotiations,” he said, according to the official IRNA news agency.

Next week’s talks, which aim to bring together representatives of the Syrian government and rebel groups, mark the first time since the conflict began in 2011 that the U.S. has not been at the center of peace negotiations. Foreign Ministry spokesman Bahram Ghasemi told AFP that any expansion of participants “could increase the risk of failure.” “Our policy is to not add other countries at this stage,” he said. “The [Syrian] armed groups have accepted the invitation of these three countries [Iran, Russia and] and are going to Astana,” said Iranian President Hassan Rouhani, speaking separately on Jan. 17 at a news conference broadcast live on state television, according to Reuters.

Asked why the United States and Saudi Arabia had no direct role in the talks, Rouhani said: “Some countries are not attending the talks, and their role was destructive. They were helping the terrorists.”

During a speech at the World Economic Forum in Davos, Zarif said Jan. 18 that Iran and Saudi Arabia should be able to work together to help end conflicts in Syria and Yemen, after successfully cooperating over Lebanon last year.

“I do not see any reason why Iran and Saudi Arabia should have hostile policies towards each other. We can in fact work together to put an end to miserable conditions of the people in Syria and Yemen and Bahrain and elsewhere in the region,” Zarif said.

“Iran and Saudi Arabia were able to actually stop impeding the process of the presidential election in Lebanon. We have a success story,” Zarif said in Davos. At Davos, the new U.N. chief Antonia Guterres said that the global threats caused by Syria’s civil war have become “too dangerous” to go unresolved, underlining the need for progress at peace talks next week.

Meanwhile, on the ground, fierce clashes gripped the eastern Syrian city of Deir ez-Zor on Jan. 18, the Syrian Observatory for Human Rights monitor said, as ISIL set tires ablaze to create a smokescreen from regime warplanes. An activist group publishing news on the besieged city told AFP that ISIL had executed 10 Syrian regime fighters captured during the jihadist onslaught.

ISIL launched the brutal assault on Jan. 14 to capture the government-held third of Deir ez-Zor city, as well as the adjacent military airport. More than 150 people are reported to have been killed in the fighting.

Turkish military: British jets strike ISIL in northern Syria in coordination with Turkey

Hurriyet Daily News, 19.01.2017



British fighter jets under the U.S.-led anti-Islamic State of Iraq and the Levant (ISIL) coalition conducted air strikes in northern Syria on Jan. 18, the Turkish army has said, noting that it marked the first coalition air strike in a long time.

“An air attack has been conducted on Daesh terror organization targets, which were determined as a result of target coordination with the coalition in the Bzagh region at around 3:30 p.m. today by the Coalition Air Forces [with the Tornado fighter jets of Britain],” read a Turkish General Staff statement, using DAESH, the Arabic acronym for ISIL.



It said that while the targets were destroyed, the air strikes came as a first in a long time from the anti-ISIL coalition. The statement said that Russian fighter jets had also conducted air strikes against ISIL militants near al-Bab, in Syria's northern Aleppo province.

Turkish forces and Ankara-backed Free Syrian Army (FSA) fighters have been battling to capture al-Bab from ISIL as part of the ongoing Euphrates Shield operation for more than one month and fierce clashes in the region have led to casualties from Turkish troops and FSA members.

Russian jets struck ISIL targets in al-Bab's south on Jan. 18 after coordination with Turkish officials over targets to destroy, the military statement said. It said that these air strikes were conducted after delegations from the Russian and the Turkish chiefs of staff signed an agreement last week to define mechanisms regarding flight security and cooperation between the countries during operations against "terrorist targets" in Syria following a meeting in Moscow.

Russian Interfax news agency quoted Russian official Sergey Rudskoy as saying on Jan. 18 that Russian and Turkish warplanes hit ISIL targets in al-Bab on Jan. 18, in what is the first such joint operation featuring both countries' air forces.

The action came one day after the U.S. military said on Jan. 17 that it carried out air strikes in Syria against ISIL targets of interest to both Washington and Ankara near the town of al-Bab, following Turkey's criticism of insufficient U.S. support for its ground offensive.

U.S. Air Force Col. John Dorrian, a Baghdad-based spokesman for the U.S.-led military coalition, stated there were four strikes in recent days against jihadists' targets that he said were in both countries' "mutual interest."

Turkey launched its ongoing Euphrates Shield operation on Aug. 24, 2016, to clear its border with Syria of terror groups which include ISIL and the Syrian Kurdish Democratic Union Party (PYD) and the fighters from its military wing, the People's Protection Units (YPG), which it sees as an extension of the outlawed Kurdistan Workers' Party (PKK) fighting within Turkey.

Turkey has been recently angered by U.S. policy in Syria, particularly Washington's support for the PYD and YPG. Meanwhile, in a separate statement on Jan. 19 the Turkish military said 18 ISIL militants were "neutralized" in northern Syria over the last 24 hours as part of the Euphrates Shield operation.

Turkish authorities use the word "neutralized" in their statements to imply the militants in question were either killed, captured or surrounded. Turkish Armed Forces also hit 182 ISIL targets, including shelters, defense points, command and control facilities, and vehicles, a Turkish General Staff statement said. Coalition forces hit three targets on the 149th day of the operation.

Doing Brexit the hard way

Independent, 20.01.2017



It might be called May's paradox. Since she became prime minister last July, Mrs May has been urged by businesses to clarify her Brexit goals. Yet every time she has tried, investors have reacted by selling sterling, because she has shown a preference for a "hard" Brexit that takes Britain out of the EU's single market and customs union.

In fact the pound rose on January 17th when she gave a speech that set out her most detailed thinking so far about Brexit. That was partly because her decision to leave the single market and customs union had been widely trailed, causing the pound to fall in the run-up to her speech.

But it may also have been because markets were pleasantly surprised by her language in setting out a dream of a liberal, open future for the country—she spoke behind the slogan "A Global Britain"—and her expressed wish for continuing friendly relations with Europe.

There is a liberal vision of a post-Brexit future in which Britain escapes the most protectionist features of the EU and opens its economy to the rest of the world. It is one that includes lower taxes, less pettifogging regulation and freer trade. During the referendum campaign it was sometimes talked of as "Singapore on steroids": a dynamic, open Britain capable of competing not just with other EU countries but with the whole world.

The trouble is that, for all her pleasing rhetoric, Mrs May is not really pursuing this vision. She has set immigration control as her priority (see Bagehot), even though today's service businesses depend on being able to move people around at short notice, as does high-tech industry.

A similar drawback attaches to her insistence on escaping the jurisdiction of the European Court of Justice (ECJ). Free-trade deals require a neutral umpire. So would any effort, hinted at again by Mrs May, to secure post-Brexit barrier-free access to the EU's single market for such key industries as cars and financial services (see article).

Such a sectoral approach is anyway unlikely to work, for two reasons. One is that the EU will not offer favoured access to its market only for certain industries. The second is that the World Trade Organisation does not allow it. The WTO accepts free-trade deals and customs unions, but only if they embrace "substantially all the trade". Were the EU to single out cars, say, for barrier-free trade with Britain, the EU would be obliged by the WTO's non-discrimination rules to offer the same deal to all WTO members, including China and India.

Mrs May was frank about the trade-off between being in the single market and taking back control of borders and laws. She even declared that to stay in the single market would mean "to all intents and purposes" not leaving the EU at all. But she was less honest in not admitting that Brexit will impose costs, and that a hard Brexit will make them heavier.



A YouGov poll for Open Britain, a pro-EU group, finds that even a majority of Leave voters are not prepared to be made worse off in order to control immigration. Mrs May's response that the economy has done better since the referendum than economists forecast is disingenuous. Not only have easier monetary and fiscal policy and the fall in sterling cushioned the impact but Brexit has not yet happened—and until recently many firms hoped to stay in the single market. Nor did Mrs May offer any solution to the problems that leaving the single market and customs union will cause for the border with Ireland, where there are currently no customs checks.

Negotiating free-trade agreements will be harder and more time-consuming than Mrs May suggests. She expressed hope that a comprehensive deal with the EU could be done in two years. But experience suggests this is highly unlikely. Many EU countries say they need to settle divorce terms (dividing up property, pensions and so on) before even talking about trade.

Canada's free-trade deal with the EU has taken seven years and is not yet in force. For Britain to replicate the EU's trade deals with 53 third countries will be more testing than today's enthusiastic talk of an early agreement with America suggests (see next story). And ratification is always tricky: a recent ECJ ruling makes a free-trade deal with Britain a "mixed" agreement that must be approved by every parliament in the EU, including regional ones.

The truth is that when Mrs May formally triggers Brexit she will find the cards stacked against her. Subject to an imminent Supreme Court ruling on needing parliamentary approval, she plans to initiate the process in March. The divorce proceedings then have an extremely tight two-year deadline.

Mrs May acknowledged the need for transition, but only as an implementation process towards a final deal. As she conceded, the other 27 EU countries have been impressively united over Brexit. They may welcome her new clarity, but for them the preservation of the union is more pressing than all else. As several leaders have said, Britain cannot have a better deal outside than inside the club.

Mrs May made helpful noises about not wishing to see the EU unravel, unlike Donald Trump. She stressed the need to retain co-operation on foreign policy and security. And she said Britain might pay modestly into the EU budget (though no longer "vast contributions", so talk in Brussels of an initial Brexit bill of upwards of €50bn, or \$53bn, may not go down well). But she also threatened her partners, calling it an act of "calamitous self-harm" if they pushed for a punitive settlement; Britain could retaliate by slashing taxes, she said. She believes her predecessor, David Cameron, made a mistake by not being ready to walk out rather than accept inadequate new membership terms. In her speech, indeed, she insisted that no deal was better than a bad deal.

As Malcolm Barr of J.P. Morgan points out, this is a dangerous line. No deal would mean falling back on WTO terms, implying not just non-tariff barriers and lost access to the single market but actual tariffs on exports of cars, pharmaceuticals, processed foods and much else.

The EU would suffer too, but its goods exports to Britain are worth only 3% of its GDP; Britain's to the EU are worth 12% of its own GDP. Mrs May has made a powerful case for her version of a hard Brexit. But it is Britain, not the 27, that is the demandeur in these negotiations. And that will make securing a good outcome hard in every sense.

May sets out Brexit vision with vow to quit EU single market

Bloomberg, 17.01.2017



PM May offered her most explicit vision of Britain's future relationship with its European Union neighbors, pledging to quit the single market and instead seek a customs agreement with the bloc to deliver "a smooth and orderly Brexit."

The pound surged after May's speech, in which she set out for the first time that her government is determined to make a clean break from the EU and said she would give Parliament a vote on the final Brexit deal. While saying that she wanted the U.K. to be "a good friend and neighbor in every way" to its former partners, she also warned them not to reject the model she was proposing.

"I know there are some voices calling for a punitive deal that punishes Britain and discourages other countries from taking the same path," May said in her speech to diplomats in London on Tuesday. "That would be an act of calamitous self-harm for the countries of Europe. And it would not be the act of a friend."

Laying out the government's Brexit plans with 12 core objectives, May said that she was confident a deal can be reached with the European Union once the trigger to leave is pulled by the end of March. She called for a "phased approach" to implementing the new rules to ensure Brexit is "smooth."

May offered a series of other aims for the coming talks:

She wants to recast membership of Europe's customs union by maintaining tariff-free, friction-less trade with the EU, but without having to impose the same duties on non-EU countries

The ability to negotiate new trade deals with countries outside the bloc

She wants transitional arrangements for financial services and other companies so new rules are phased in over time

No more "huge" U.K. contributions to the EU budget

German Foreign Minister Frank-Walter Steinmeier commended May for providing "a bit more clarity" about her government's plans and for seeking strong ties with the EU in her speech, which was broadcast live on German news channels. "But our stance remains that the negotiations will only begin when Britain has officially announced its wish to leave" the EU, he said in statement. Guy Verhofstadt, the European Parliament's point person for Brexit, said "we shall never accept a situation in which it is better to be outside the European Union."



Sterling, which plunged on Monday after weekend reports that May was planning to exit the single market, jumped against the dollar and was set for its biggest advance since the global crisis. It was up 2.8 percent at \$1.2388 as of 5:10 p.m. in London.

Executives from banks including Bank of America Corp., Credit Suisse Group AG and UBS Group AG earlier said at the World Economic Forum's annual meeting in Davos, Switzerland, that it was premature for them to start moving jobs and operations to the EU to ensure continued access after Brexit. HSBC Holdings Plc Chairman Douglas Flint said the industry still wanted clarity over what the future holds as he repeated calls for a transition.

The Institute of Directors, in a statement after the speech, appealed to May to keep them informed as the negotiations with the EU continue, especially as she rejected any "off the shelf" model for Brexit.

May said she wanted an agreement about the nature of the future relationship with the EU by the time the Article 50 exit negotiation process completes in early 2019. That would be followed by "a phased process of implementation, in which both Britain and the EU institutions and member states prepare for the new arrangements." This would give businesses, including financial services, time to plan, she said.

She was also clear that she was prepared to walk away if she couldn't get the deal she wanted. "We would still be able to trade with Europe," she said. "We would be free to strike trade deals across the world. And we would have the freedom to set the competitive tax rates and embrace the policies that would attract the world's best companies and biggest investors to Britain."

For the EU, she had a warning of mutual damage if there was no deal. "It would jeopardize investments in Britain by EU companies worth more than half a trillion pounds," she said. "It would mean a loss of access for European firms to the financial services of the City of London. It would risk exports from the EU to Britain worth around 290 billion pounds (\$359 billion) every year. And it would disrupt the sophisticated and integrated supply chains upon which many EU companies rely."

May's spokeswoman, Helen Bower, said regardless of how Parliament ultimately votes, "we will be leaving the EU." At the point of voting, it might be impossible to reverse the Brexit process, meaning the U.K. found itself outside the EU without any agreement with the bloc, something unlikely to have much support in Parliament.

May has tried to avoid giving details of her strategy, arguing that revealing her negotiating direction before talks begin would restrict her options. It would also open her to criticism both in advance, for seeking too much or too little distance, and afterward if she fails to get what she wants.

But that position had become unsustainable, as both supporters and opponents of Brexit in Parliament demanded clarity. Jeremy Corbyn, leader of the opposition Labour Party, accused May of "wanting to have her cake and eat it" over access to the single market. He pledged to maintain pressure on the government over jobs and workers rights as Brexit approaches. May's argument for leaving the single market was simple: to stay in "would to all intents and purposes mean not leaving the EU at all." In particular, it would mean inability to control immigration, something that she has insisted she will do.

“We will always want immigration, especially high-skilled immigration, we will always want immigration from Europe, and we will always welcome individual migrants as friends,” she said. “But the message from the public before and during the referendum campaign was clear: Brexit must mean control of the number of people who come to Britain from Europe.”

Ash Carter won't leave Asia quietly

Foreign Policy, 12.01.2017



On the opening day of his final overseas trip in early December 2016, Ashton Carter spent the morning at a port a short helicopter ride south of Tokyo, on the decks of the Izumo, the largest naval vessel built by Japan since the end of World War II.

For a U.S. defense secretary trying to highlight one of President Barack Obama's signature foreign-policy achievements, the “pivot to Asia,” there could hardly have been a better symbol than an 814-foot-long mini-aircraft carrier, built by an ally, Japan, which has been traditionally reluctant to parade its military prowess.

The carrier was commissioned in 2010, completed in 2013 during Obama's term, and stationed at Yokosuka — America's largest overseas naval base. Carter's words on the deck of the Izumo — about the U.S.-Japan alliance being a two-way street — were more than a thinly veiled rebuke to incoming President Donald Trump, who has repeatedly scorned the value of such alliances. They were also the beginning of a debate that is creating existential dread in East Asia, where pro-U.S. governments fear Trump represents not just a reversal of Obama's Asia pivot, but the harbinger of a withdrawal from the region altogether.

In the months leading up to November 2016, as they were preparing to leave office, Obama and his cabinet surveyed the Asia-Pacific with barely concealed approval. In contrast with the religious extremism and primeval violence of the Middle East, the people of Asia, Obama told the Atlantic, don't begin their days “thinking about how to kill Americans.”

Or, as Carter put it in a speech at a security conference at the Ronald Reagan Library near Los Angeles before flying to Tokyo, Pax Americana had anchored “economic miracle after miracle” in Asia. “Populations are growing, education has improved, freedom and self-determination have spread, economies have grown more interconnected, and military spending and cooperation are both increasing,” he said.

But the man who is replacing Obama, Donald Trump, won the White House by tapping ruthlessly into a darker view of Asia's postwar renaissance, which inflamed grassroots disquiet in the United States at one of Pax Americana's toughest selling points. In Trump's view, not only is the United States protecting Asia's booming economies at excessive cost, it is also opening the American market to their exports in ways they would never reciprocate themselves.



As Trump's chief strategist, Steven Bannon, a hard-line nationalist who provided a platform for racist commentary while running Breitbart.com, put it, "The globalists gutted the American working class and created a middle class in Asia."

During his campaign, Trump criticized Japan and South Korea for free-riding on American security guarantees. During his campaign, Trump criticized Japan and South Korea for free-riding on American security guarantees. He said both countries should get nuclear weapons, if they wished, to reduce their reliance on Washington.

On trade, he singled out China, and Japan again, for cheating Americans in cahoots with the local satraps of globalization, namely Wall Street and big business. He vowed to kill the Trans-Pacific Partnership trade agreement, which promised to strengthen economic ties between Washington and essentially all the region's countries, except China, which was excluded from the deal.

But Pax Americana in East Asia, including trade liberalization and a commitment to military alliances, had become so much a part of the political furniture in Washington that Trump's assaults on long-standing Asian policy on the campaign trail were barely answered by his opponents.

The arguments in favor of the policy, which depend on the United States committing sufficient resources to maintain its primacy as a global superpower, were so rusty inside the Beltway that Trump's American critics struggled to make them with any conviction. To them, the policy seemed as natural as breathing; but to Americans unused to thinking about global balancing and trade ties, Trump's words found traction.

They found less traction with America's Asian allies, whose fears ceased to be hypothetical upon Trump's election victory. Hence, Carter's reassuring two-week trip starting Dec. 3. Carter's itinerary illustrated the vast sweep of America's global military footprint, and the expectations that come with it, from allies and partners alike.

Starting in Japan, America's largest bilateral military alliance, Carter traveled to India, Afghanistan, Bahrain, Baghdad, Israel, and Italy before ending his trip in the United Kingdom. With such a schedule, it's no wonder that on the first leg from Los Angeles to Tokyo, Carter's Pentagon doctor walked the aisles of Air Force 3, which transports the defense secretary, handing out sleeping pills to a soon-to-be-jetlagged team of journalists and policymakers. But not all stops on the itinerary were of equal importance. Though America's footprint is sprawling, U.S. global power depends on holding the line in East Asia. Other regions pale in comparison.

When the United States and its Western allies debated how to confront the threat posed by the radical Islamist State, they didn't pause to factor in the impact of the war on gross domestic product or oil prices. China and Japan, by contrast, are global powers, with the world's second- and third-largest economies, backed by robust, advanced militaries. Along with South Korea and Taiwan, they sit at the nexus of the tightly integrated seaborne trade network that sustains global business and U.S. consumption.

Any clash between China and Japan or Taiwan, or a conflict involving North Korea, would not be a simple spat with neighbors. Any clash between China and Japan or Taiwan, or a conflict involving North Korea, would not be a simple spat with neighbors.



A single shot fired in anger could trigger a global economic tsunami, engulfing manufacturing centers, trade routes, retail outlets, and political capitals on every continent. The web of alliances and partnerships in Asia used to be referred to as a “hub and spokes” model, with the United States at the center of a series of bilateral relationships. This reflected not only American preeminence, but also the fact that Washington often had better ties with Asian nations than they had with one another. Even when Seoul and Tokyo were barely talking to each other over historical quarrels, for instance, they were still on good terms with Washington.

Alongside the pivot, the rise of China and growing intra-Asian trade have triggered a whole new set of relationships that are transforming regional security. Instead of a single hub-and-spoke, there are now multiple tie-ups, some involving the United States and many others within the region.

Japan has strengthened ties with India, the Philippines, Vietnam, and Australia. Under the shadow of Pyongyang’s nuclear capability, Japan even managed to persuade South Korea to finally complete an intelligence-sharing agreement. There are multiple other partnerships — India and Australia, Australia and Singapore, Vietnam and India, Vietnam and the Philippines, and others — in the form of diplomatic dialogues and joint military exercises.

Carter, in an interview with Foreign Policy aboard Air Force 3, said the proliferation of new intra-Asian tie-ups was “part of the design” of the rebalance from the start. “That’s why ‘network’ and not ‘alliance’ is a more appropriate word. The word is chosen advisedly.”

“We have encouraged relationships that do not involve us,” Carter said. “When you see India and Australia and Japan exercising together, they got that concept from exercises organized by the U.S. in decades past; we created the template.”

But the new president has shown no recognition of the scale of the East Asian challenge. As with the rest of Trump’s campaign, facts didn’t matter to the candidate or his supporters. “You know we have a treaty with Japan where if Japan is attacked, we have to use the full force and might of the United States,” Trump said at a rally in Iowa, a rural state he went on to win. “If we’re attacked, Japan doesn’t have to do anything. They can sit home and watch Sony television, OK?”

As every attentive electronic shopper knows, Sony no longer makes TVs, because the company had given up trying to compete against cheaper manufacturers in China and South Korea. More to the point, Trump was wrong about the security relationship as well.

For decades, Washington’s message to Tokyo on security had been simple: “Do more.” Japan’s answer was always much the same. They pointed to the country’s pacifist constitution, written for Tokyo after the war by the American occupation, as constraining its ability to fight alongside the United States in the region unless Japan was directly attacked.

Prime Minister Shinzo Abe’s success in getting a constitutional reinterpretation through Parliament in 2015, to give Japan’s military greater leeway, changed the postwar military equation. Now, if there is war involving the United States, Abe’s reforms mean that Japan can fight alongside America, whether it is directly attacked or not. The irony of this change is palpable. Having thrown off many of the shackles of the postwar era, Tokyo and other allies in Asia, like Singapore, are increasingly insisting that Washington “do more” to fend off China.



Far from doing more, Trump's America wants to do less, which leaves Japan and other countries out on a dangerous limb. Tokyo cannot turn to China to replace Washington. In all likelihood, Japan would have to go nuclear, an event that would mark a definitive end to the postwar era in East Asia.

Abe rushed to meet Trump in New York soon after the New York mogul's unexpected election victory. Japanese prime ministers have always tried to be among the first foreign leaders to call on a new American president, but they have traditionally waited until after the inauguration.

Abe had good reason to accelerate the customary schedule. Trump may have been criticizing Japan since the 1980s, but Tokyo has no course but to work with whomever is in power in Washington. "We need America — we cannot handle China on our own," an Abe advisor told me.

Obama and Abe always had a cool personal relationship. They were at odds ideologically, and split over what Obama regarded as Abe's revisionist views on the war and Japan's responsibility for it. The president and the prime minister, however, eventually developed a successful professional relationship, strengthening the bilateral security ties during Abe's Washington trip in 2015.

Japan's commitment to work closely with the United States stands in contrast with the recent hurly-burly elsewhere in Asia. The Philippines has flipped, for the moment, from a close U.S. ally into China's orbit following the 2016 election of an anti-American president, Rodrigo Duterte. The 2014 Thai military coup cooled relations with Washington.

In Australia, long one of America's closest regional allies, political and business elites are deeply divided over moving closer to the country's chief economic partner in China at the expense of the U.S. alliance. Malaysian Prime Minister Najib Razak is courting China, in part in anger at U.S. investigations implicating him in a money-laundering investigation at a state investment fund. The impeachment of President Park Geun-hye in December has left a power vacuum in South Korea.

None of these trends is set in stone. Trump, who has exhibited little concern for human rights, has already invited Duterte to the White House, and he will doubtless be willing to make nice with the Thai junta. Most Australians still favor strong ties with the United States. Ethnic Malays, who dominate their country's politics, remain deeply suspicious of China. And any South Korean leader has to face the threat from the north.

Carter nonetheless went out of his way in his bilateral meeting with Abe to praise the Japanese prime minister's "leadership and statesmanship." After more than four years in power, Abe represents the stability that the United States craves in Asia, and that looks like it is slipping away.

Abe's 2015 security law and its expansion of the role of Japan's military have "tangible consequences," Carter said. "If you anticipate various contingencies with respect to North Korea, it gives additional flexibility to our commanders to respond in different ways that aren't constrained. That is also true of the South China Sea and the East China Sea."

"It allows Japan to play a more active and positive role," he continued. "The world needs more countries that operate on a global basis. It's good for Japan, because it is a fuller expression of Japan's actual role in the world." However, the most important audience for Carter's message, and the national security establishment he represents, may be at home in the United States.



The pivot, or rebalance, will live or die depending on the willingness of the Trump administration not just to support the policy, but also to sell it. Otherwise America's allies will find themselves abandoned — and a rising China may look like a better bet than a distant, or even hostile, America.



Announcements & Reports

Reform of the European Union financial supervisory and regulatory architecture and its implications for Asia

Source : Bruegel

Weblink : <http://bruegel.org/2016/11/reform-of-the-european-union-financial-supervisory-and-regulatory-architecture-and-its-implications-for-asia/>

Reinforcing Deterrence on NATO's Eastern Flank

Source : Rand

Weblink : http://www.rand.org/pubs/research_reports/RR1253.html

Are advanced economies at risk of falling into debt traps?

Source : Bruegel

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Upcoming Events

Global Governance of Public Goods: Asian and European Perspectives

Date : 23 January 2016

Place : Paris - France

Website : <http://www.bruegel.org/nc/events/event-detail/event/529-global-governance-of-public-goods-asian-and-european-perspectives/>

The Future of the Welfare State

Date : 24 January 2016

Place : Berlin - Germany

Website : <http://www.bruegel.org/nc/events/event-detail/event/541-the-future-of-the-welfare-state/>

Vision Europe Summit 2016

Date : 25 January 2016

Place : Lisbon - Portugal

Website : <http://bruegel.org/events/vision-europe-summit-2016/>